



Solutions, Inc.

## Homeowner Opportunity Program (HOP)

### *Homeownership Guide* *“Keeping Your Home”*





# ***HOMEOWNERSHIP GUIDE***

## ***“Keeping Your Home”***

### **A. Home Equity**

- i. Preserving equity
- ii. Avoid borrowing against equity for consumer purchases.

### *Building Equity*

- ✓ Equity = value of the property minus what you owe on it
- ✓ 2 Ways to build equity:
  - Loan Repayment – not applicable
  - Appreciation (time and improvements)



### *Preserving Your Equity*

- ✓ Don't bank on future appreciation
- ✓ Beware of predatory lenders
- ✓ If you take out a home equity loan or Home Equity Line of Credit (HELOC), use it carefully
- ✓ Don't use your home as an ATM!
- ✓ Refinance for the right reasons





### *Avoid Losing Your Home*

- ✓ Stay current on property taxes
- ✓ Maintain adequate insurance
- ✓ Keep the home in good shape
- ✓ Keep an emergency fund ready
- ✓ Avoid borrowing against your equity for consumer purchases
- ✓ Get help at the first sign of trouble!



### *Handling Financial Emergencies*

- ✓ Financial Emergencies can happen to anyone.
- ✓ Homeowners sometimes experience financial difficulty that can affect their ability to make payments on time.
- ✓ It is important to take the correct actions to avoid making the problem worse.

### ***Warning Signs***

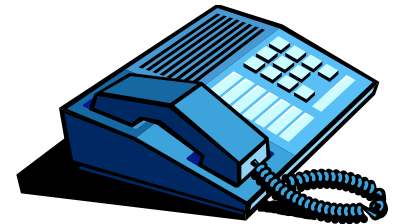
- ✓ Are you making payments late?
- ✓ Are you making payments from savings or other sources besides your normal income?
- ✓ Have you or someone in your home been laid off recently, or is there a strong possibility you will be laid off?
- ✓ Do your total monthly payments to creditors often exceed your take home pay?
- ✓ Do you have to borrow money to make minimum monthly payments to your creditors?
- ✓ Are you unable to make minimum monthly payments to your creditors?

Note: If you experience any of these examples you should be asking for help.

**Help is All Around**

### *Finding Help*

- ✓ One of the best ways to get help is to contact a credit counseling agency in your area.
- ✓ They have counselors who will help homeowners develop a recovery plan, including helping to find services to assist with food or other basic necessities.
- ✓ Don't ignore bills and past-due notices.
- ✓ Contact your lenders.







### ***Checklist: Creditors to Pay First***

- ✓ **First-Level Priority**
  - Primary Mortgage (First)
  - Second Mortgage (if any)
  - Tax Liabilities
  - Auto Loans
  - Utility Companies
  - Student Loans
- ✓ **Second-Level Priority**
  - Finance Companies (secured)
- ✓ **Third-Level Priority**
  - Credit Cards, Retailers
  - Doctors and Dentists
  - Hospitals
  - Finance Companies (unsecured)

## *Borrowing on Home Equity*

- ✓ Once you become a homeowner, you may be aggressively solicited to borrow on your equity for reasons ranging from home improvement to education to vacations.
- ✓ Some of these may be good reasons to borrow, but be very careful not to overextend yourself on credit.
- ✓ Rapid credit buildup is a major reason why some homeowners experience financial difficulties soon after purchasing a home.

### ***Building Home Equity – Major Repairs/Home Improvements***

- ✓ Someday you may need to hire an expert to perform a major repair or home improvement.
- ✓ Hiring a Contractor
- ✓ The following guidelines can help you get the project done right and for a fair price.

## ***Building Home Equity – Hiring a Contractor***

- ✓ Interview several Contractors
- ✓ Ask for references and check them
- ✓ Get cost estimates, and find out whether these are estimates or firm bids.
- ✓ To protect yourself, be sure to have a contract that specifies exactly what work is to be done, when payments are due, and so on.
- ✓ Review Angie's list for a jumpstart to the best contractors.



## ***Building Home Equity – Financing Home Improvements***

- ✓ Inquire about obtaining a home improvement loan or a personal loan from a bank or credit union.
- ✓ Sometimes contractors will provide financing.
- ✓ Or, you may want to consider a home equity loan.
- ✓ At any case, make sure you understand the terms of the loan and how it should be repaid.
- ✓ Shop around for best interest rate.

# Keeping Your Home

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- Review handouts
  - Q&A